



Chapel Hill, Tennessee 37034

June 17, 2004

Mr. Joe Werner, Chief  
Telecommunications Division  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, TN 37243

Dear Mr. Werner:

United Telephone Company converted to Cost Settlement for interstate access in November 2001. The interstate access revenue requirement was over-stated from November 2001 through December 2002, because the cost consultant firm used an incorrect DEM factor in our cost study to apportion COE Category 3 investment to the interstate jurisdiction.

The DEM factor has now been corrected in the 2001 and 2002 studies. The interstate access for November and December 2001 has been reduced by \$186,436. The reduction for 2002 as calculated by NECA is \$863,000. The total amount of \$1,049,436 was debited to Retained Earnings in December 2003 by our auditors during the annual audit.

If you have any questions, please contact me at 931/364-4322.

Sincerely,

Herbert R. Bivens  
General Manager

cc: Russell Perkins  
Deputy Attorney General

RECEIVED

2004 JUL -8 PM 3:46

T.R.A. DOCKET ROOM

04-00173

RECEIVED

JUN 18 2004

TN REGULATORY AUTHORITY  
TELECOMMUNICATIONS DIVISION